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TAGS: [ECON](#) [EFIN](#) [EPET](#) [RS](#) [MD](#)
SUBJECT: ECONOMIC MINISTER DESCRIBES MINIMAL
IMPACT OF GLOBAL FINANCIAL CRISIS ON MOLDOVA

Classified By: Ambassador Asif J. Chaudhry for
reasons 1.4 (b) and (d)

¶1. (C) Summary: During Ambassador Chaudhry's November 13 meeting with Deputy Prime Minister and Minister of Economy, Igor Dodon, the Minister explained that the global financial crisis had not affected Moldova initially. Moldova might face the return of some citizens working abroad in the EU and Russia but most Moldovans working abroad would persevere in their current environments and continue to send remittances home. Export markets for Moldova might weaken in the region as other countries suffered sharper economic downturns. A positive note of economic liberalization was the news that the GOM was taking steps to privatize the national airline. End Summary.

Moldova Currently Unaffected

¶2. (C) The Minister explained that the global financial crisis had not affected Moldova during this first stage, because Moldova did not have speculative investments. The first signal of a loss of confidence in the Moldovan economy would have been flight of speculative capital which would have influenced the exchange rate. The government hoped to avoid panic in the general population. The GOM would continue to maintain the stability of the national currency and keep inflation under control. Inflation was at 7.5% for the first ten months of the year and the GOM was optimistic that it would achieve its goal of holding inflation to a single digit for 2008.

Spring May Bring Problems for Moldova

¶3. (C) Dodon noted that in the most pessimistic scenario the possibility of problems existed for spring 2009 should some of the many Moldovans working abroad be forced to return home. (Note: Approximately 700,000 Moldovans live and work abroad. Their recorded remittances to Moldova are 36% of GDP.) The return of migrants could cause unemployment and some social problems and would lead to a drop in remittances and thus a drop in imports to Moldova as consumption decreased. A drop in imports would result in a decrease in the GOM's tax revenue and subsequently a reduction in budget revenue.

Moldovan Migrants Abroad

¶4. (C) The Minister explained that Moldovan

migrants abroad fell into two categories: migrants in the EU and migrants in Russia. The numbers of Moldovan workers were about evenly split between the two job markets. About 90 percent of the migrants in the EU worked in the service sector. Since service jobs were the last to be affected in an economic downturn, Dodon did not expect many migrants from the EU to return home. The migrants in Russia presented a different picture, he thought. Most Moldovans working in Russia were active in the construction sector. Construction projects in Moscow and other major Russian cities had been hit hard by the global financial crisis. While this could lead to Moldovans' becoming unemployed, the Minister noted that there were still substantial construction projects in Russia such as the site for the 2014 Winter Olympics in Sochi. In addition, Moldovans in the construction sector were more qualified than workers from the former Soviet republics in Central Asia and the Caucasus, and therefore, would be the last to become unemployed. There were approximately 300,000 Moldovans working in Russia and Dodon estimated that it was possible that 50,000 to 60,000 could return to Moldova. They would have the prospect of finding jobs in Moldova where there was a labor shortage. According to the Minister, the GOM was working on several initiatives for January and February 2009 when migrants could possibly return.

Exports for Moldova

15. (C) Dodon noted that Russia, Ukraine and Belarus had been hit hard by substantial decreases in exports. The financial crisis in these countries as major export markets for Moldova could hurt the Moldovan economy. The GOM had taken a close look at its major exports and was following those sectors very carefully. Textiles were a concern since the sector employed some Moldovans. However, Moldova's textile sector was not large enough to hurt the economy as a whole, though unemployment could be a concern. Ukraine and Russia were both suffering from a loss of exports for their metal and metal products and some factories had reduced production. The prices for these goods had dropped to historical lows. Moldova did not have many factories in this sector and was not affected. However, this was a concern for secessionist Transnistria which depended on its metal works factory in Rybnitsa for 60 percent of its budget revenue. As for food products, the Minister was confident that demand would continue even if prices increased.

Privatization of Air Moldova?

16. (C) Minister Dodon informed the Ambassador that the GOM had taken a decision that same week regarding the privatization of the state-owned airline, Air Moldova. The Ministry of Economy would conduct the tender process over the next several months. The sale of the Air Moldova would further liberalize the economy of Moldova.

Comment

17. (C) Minister Dodon expressed confidence that Moldova would weather the financial crisis. At the beginning of the global financial crisis, some media had prognosticated a mass return of Moldovan migrants. They had opined that returning

immigrants would be a concern for the ruling Party of Communists with elections coming up in the spring. The fact that Dodon mentioned the GOM was already planning initiatives to assist returning migrants could be motivated by concerns for doing both what is right and what is necessary to prevent political backlash for the ruling party. The news on the planned privatization of Air Moldova is welcome and shows GOM recognition that the airline needs to function competitively.

CHAUDHRY